

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name St. Clair Township	County St. Clair
Fiscal Year End June 30, 2006	Opinion Date July 25, 2006	Date Audit Report Submitted to State November 29, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

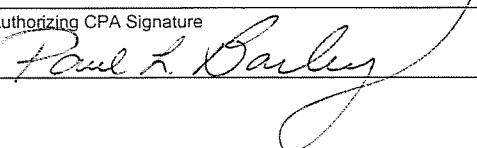
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple		Telephone Number 810-984-3829	
Street Address 1979 Holland Ave.		City Port Huron	State MI
Zip 48060			
Authorizing CPA Signature 	Printed Name Paul Bailey	License Number 1101014088	

**ST. CLAIR TOWNSHIP, MICHIGAN**  
St. Clair County, Michigan

**ANNUAL FINANCIAL STATEMENTS**  
with Supplementary Information

**FOR THE YEAR ENDED**  
**JUNE 30, 2006**

Stewart,  
Beauvais  
& Whipple P.C.

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CERTIFIED PUBLIC ACCOUNTANTS



**ST. CLAIR TOWNSHIP, MICHIGAN**  
**St. Clair County, Michigan**

**TABLE OF CONTENTS**  
**JUNE 30, 2006**

	<u>Page Number</u>
<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis</b>	2
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Assets – Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16
Statement of Fiduciary Net Assets – Fiduciary Funds	17
Notes to the Basic Financial Statements	18
<b>Required Supplementary Information:</b>	
General Fund –	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	30
<b>Supplementary Information:</b>	
Sewer Fund –	
Combining Schedule of Net Assets	32
Combining Schedule of Revenues, Expenses and Changes in Net Assets	33
Combining Schedule of Cash Flows	34
Fiduciary Funds –	
Agency Funds –	
Statement of Changes in Assets and Liabilities –	
Total All Agency Funds	35
Current Tax Fund	35
Trust and Agency Fund	35

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Board  
St. Clair Township  
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Clair Township, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the Township as listed in the table of contents. These financial statements are the responsibility of St. Clair Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Clair Township, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 6, and budgetary comparisons on pages 30 and 31 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Clair Township's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Certified Public Accountants

July 25, 2006

**OVERVIEW OF THE FINANCIAL STATEMENTS**

St. Clair Township's 2006 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

***Government-wide Financial Statements***

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

**Governmental activities** – most of the Township's basic services are included here, such as the fire, public works, and general administration. Property taxes, state-shared revenue, charges for services, provide most of the funding.

**Business-type activities** – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is treated as business-type activities.

***Fund Financial Statements***

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

**Governmental funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

**Proprietary funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

**Fiduciary Funds** – The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township’s fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township’s government-wide financial statements because the Township cannot use these assets to finance its operations.

## **FINANCIAL OVERVIEW (Government-wide financial analysis)**

The Township has combined total net assets of \$7,027,635. This is an increase over 2005 of \$234,010. Government-type activities comprise \$3,935,714, and business-type activities make up \$3,091,921 of the total net assets. In a condensed format, the table below shows net assets as of the June 30, 2006 and 2005.

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
<b>Assets</b>				
Current assets	\$ 3,318,145	\$ 3,330,560	\$ 1,287,081	\$ 1,330,997
Restricted assets	-	-	422,006	480,843
Noncurrent assets	661,989	371,448	1,782,280	1,802,100
Total assets	<u>3,980,134</u>	<u>3,702,008</u>	<u>3,491,367</u>	<u>3,613,940</u>
<b>Liabilities</b>				
Current liabilities	44,420	56,766	49,446	75,557
Long-term liabilities	-	-	350,000	390,000
Total liabilities	<u>44,420</u>	<u>56,766</u>	<u>399,446</u>	<u>465,557</u>
<b>Net Assets</b>				
Invested in capital assets –				
Net of related debt	661,989	371,448	1,432,280	1,412,100
Restricted	939,838	1,109,477	422,006	480,843
Unrestricted	<u>2,333,887</u>	<u>2,164,317</u>	<u>1,237,635</u>	<u>1,255,440</u>
Total net assets	<u>\$ 3,935,714</u>	<u>\$ 3,645,242</u>	<u>\$ 3,091,921</u>	<u>\$ 3,148,383</u>

The Township governmental activities experienced a net change in assets of \$290,472. The business-type activities experienced a decrease in net assets of \$(56,462), which was approximately 2% of expenses.

The following table shows the changes in net assets for 2006 and 2005.

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 443,314	\$ 403,940	\$ 597,118	\$ 609,282
Operating grants and contributions	33,408	25,270	-	-
Capital grants and Contributions	50,000	-	-	-
General revenue:				
Property taxes	236,595	230,591	-	-
Unrestricted grants and contributions	475,834	453,739	-	-
Unrestricted investment earnings	107,089	55,476	41,480	33,074
Total Revenue	<u>1,346,240</u>	<u>1,169,016</u>	<u>638,598</u>	<u>642,356</u>
<b>Program Expenses</b>				
General government	265,907	288,093	-	-
Public safety	339,504	344,977	-	-
Public works	434,660	319,177	-	-
Recreation and cultural	15,697	13,823	-	-
Water and sewer	-	-	695,060	689,275
Total Program Expenses	<u>1,055,768</u>	<u>966,070</u>	<u>695,060</u>	<u>689,275</u>
<b>Changes in net assets</b>	<u>\$ 290,472</u>	<u>\$ 202,946</u>	<u>\$( 56,462)</u>	<u>\$( 46,919)</u>

### *Governmental Activities*

Revenues for governmental activities totaled \$1,346,240 in 2006. This is an increase of \$177,224 from 2005 mainly as a result of a \$50,000 parks and recreation grant and additional interest revenues. The largest revenues source of the Township is State Shared Revenue of \$441,702 followed by charges from service for refuse collection of \$297,264 and taxes of \$236,595.

### *Business-type Activities*

The Township has two business-type activities, the water and sewer operations. Total revenues, including interest on investments, were \$638,598 and expenses were \$695,060 for a change in net assets of \$(56,462).

The Township contracts with the City of St. Clair for water and sewer treatment service.

## **FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS**

### *Governmental Fund*

The General fund ended 2006 with a fund balance of \$1,762,834, with \$267,021 reserved for specific purposes, which include \$119,944 for Park and Recreation, \$127,473 for Refuse Collection and \$19,604 for other prepaid expenses. This is a decrease of \$42,451 from the prior year mainly as a result of:

- The purchases of property of \$250,398.
- Actual revenues were exceeding budgeted revenue by \$219,580.

During the year the Township did not make any budget amendments to the General Fund. There were no budget adoptions for the assessment, inspection or capital improvement fund. Significant differences between the Original/Final Budget and actually are as follows:

#### General Fund Revenue

- Interest and rent exceeded budget by \$49,636 as a result of higher interest rates than expected.
- Special assessment revenue was \$72,976 more than budgeted as a result of the Township levying more for trash pickup due to higher costs charged by waste hauling.
- Other revenue exceeded budget by \$52,324 as a result of a donation received for the bike path.

#### General Fund Expenditures

- Building and grounds exceeded budget by \$190,919 mainly as a result of the purchase of property.
- Refuse collection exceeded budget by \$43,712 as a result of higher costs charged by the waste haul.
- Parks exceeded budget by \$49,579 as a result of receiving and spending a grant earmarked for the bike path.

#### ***Business-type Activities***

As indicated earlier the Township only has two business-type activity, the water and sewer operations. Total revenues including interest or investment earning were \$638,598 and expenses were \$695,060 for a decrease in net assets of \$(56,462).

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

The Township had \$2,131,541 invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of June 30, 2006. The investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles and water and sewer lines. During the year the Township added \$357,354 of capital assets, \$312,410 in government-type activities and \$44,944 in the business-type activities.

Of the \$312,410 purchased in the government-type activities, \$250,398 was for the purchase of property and \$62,012 for the construction of the bike path. The \$44,944 in the Business-type Activities was for engineering of water line replacement.

	Governmental Activities	Business-type Activities	Total
Land	\$ 305,322	\$ -	\$ 305,322
Land improvements	98,811	-	98,811
Building and improvements	244,392	-	244,392
Equipment	81,358	29,432	110,790
Water and sewer lines	-	2,486,259	2,486,259
Construction in progress	<u>62,012</u>	<u>89,427</u>	<u>151,439</u>
	791,895	2,605,118	3,397,013
Accumulated depreciation	( <u>129,906</u> )	( <u>1,135,566</u> )	( <u>1,265,472</u> )
	<u>\$ 661,989</u>	<u>\$ 1,469,552</u>	<u>\$ 2,131,541</u>

Additional information on the Township's capital assets can be found in Note 5.



### ***Long-Term Debt***

At June 30, 2006 the Township's business-type activities had debt outstanding of \$350,000, a decrease of \$40,000 from the prior year. This debt is related to the construction of the sewer supply system.

### **CONTACTING THE TOWNSHIP**

This financial report is designed to provide a general overview of the Township's finances to and our residents and other interested parties in understanding the Township's financial condition. If you have questions about this report or need additional financial information, please contact the Township at (810) 329-9042.

## **BASIC FINANCIAL STATEMENTS**

# ST. CLAIR TOWNSHIP

## STATEMENT OF NET ASSETS

JUNE 30, 2006

	Primary Government		
	Governmental	Business Type	
	Activities	Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,972,711	\$ 932,831	\$ 2,905,542
Investments	1,173,294	178,641	1,351,935
Receivables	151,528	159,421	310,949
Prepaid expenditures	20,612	16,188	36,800
Restricted assets -			
Cash and cash equivalents	-	165,072	165,072
Investments	-	250,000	250,000
Special assessment	-	6,934	6,934
Sewer capacity rights (net of amortization)	-	312,728	312,728
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	367,334	-	367,334
Assets being depreciated	294,655	1,469,552	1,764,207
Total Assets	<u>3,980,134</u>	<u>3,491,367</u>	<u>7,471,501</u>
<b>LIABILITIES:</b>			
Payables and accrued liabilities	18,259	2,477	20,736
Due to other governmental units	-	46,969	46,969
Unearned revenues	26,161	-	26,161
Non-current liabilities			
Due within one year	-	40,000	40,000
Due in more than one year	-	310,000	310,000
Total Liabilities	<u>44,420</u>	<u>399,446</u>	<u>443,866</u>
<b>NET ASSETS:</b>			
Investment in capital assets, net of related liabilities	661,989	1,432,280	2,094,269
Restricted			
Debt Retirement	-	422,006	422,006
Parks and Recreation	119,944	-	119,944
Refuse Collection	127,473	-	127,473
Inspections	2,696	-	2,696
Capital Improvements	689,725	-	689,725
Unrestricted	<u>2,333,887</u>	<u>1,237,635</u>	<u>3,571,522</u>
Total Net Assets	<u>\$ 3,935,714</u>	<u>\$ 3,091,921</u>	<u>\$ 7,027,635</u>

The accompanying notes are an integral part of these financial statements.

**ST. CLAIR TOWNSHIP**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General Government	\$ 265,907	\$ 8,104		\$ -
Public Safety	339,504	122,774	2,052	-
Public Works	434,660	312,436	-	-
Recreation and Culture	15,697	-	31,356	50,000
Total governmental activities	<u>1,055,768</u>	<u>443,314</u>	<u>33,408</u>	<u>50,000</u>
Business type activities				
Water Supply System	399,293	385,572	-	-
Wastewater	295,767	211,546	-	-
Total business type activities	<u>695,060</u>	<u>597,118</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 1,750,828</u>	<u>\$ 1,040,432</u>	<u>\$ 33,408</u>	<u>\$ 50,000</u>

General revenues:

Property taxes

Grants and contribution not -  
restricted to specific programs

Unrestricted investment income

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

Primary Government		
Governmental Activities	Business Type Activities	Total
\$ ( 257,803)	\$ -	\$ ( 257,803)
( 214,678)	-	( 214,678)
( 122,224)	-	( 122,224)
65,659	-	65,659
<u>( 529,046)</u>	<u>-</u>	<u>( 529,046)</u>
-	( 13,721)	( 13,721)
-	( 84,221)	( 84,221)
<u>-</u>	<u>( 97,942)</u>	<u>( 97,942)</u>
<u>\$ ( 529,046)</u>	<u>\$ ( 97,942)</u>	<u>\$ ( 626,988)</u>
236,595	-	236,595
475,834	-	475,834
107,089	41,480	148,569
<u>819,518</u>	<u>41,480</u>	<u>860,998</u>
290,472	( 56,462)	234,010
<u>3,645,242</u>	<u>3,148,383</u>	<u>6,793,625</u>
<u>\$ 3,935,714</u>	<u>\$ 3,091,921</u>	<u>\$ 7,027,635</u>

**ST. CLAIR TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	<u>General</u>	<u>Assessment</u>	<u>Inspections</u>	<u>Revolving Capital Improvement</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 970,146	\$ 611,536	\$ -	\$ 391,029	\$ 1,972,711
Investments	674,598	200,000	-	298,696	1,173,294
Receivable - special assessment	-	7,705	-	-	7,705
Due from other governmental units - State	143,823	-	-	-	143,823
Due from other funds	-	-	2,761	-	2,761
Prepayments and deposits	19,604	-	1,008	-	20,612
	<u>1,808,171</u>	<u>819,241</u>	<u>3,769</u>	<u>689,725</u>	<u>3,320,906</u>
<b>Total Assets</b>	<u>\$ 1,808,171</u>	<u>\$ 819,241</u>	<u>\$ 3,769</u>	<u>689,725</u>	<u>\$ 3,320,906</u>
<b>Liabilities:</b>					
Accounts payable	\$ 17,186	\$ -	\$ 1,073	-	\$ 18,259
Due to other funds	2,761	-	-	-	2,761
Deferred revenue	25,390	7,705	-	-	33,095
	<u>45,337</u>	<u>7,705</u>	<u>1,073</u>	<u>-</u>	<u>54,115</u>
<b>Total Liabilities</b>	<u>45,337</u>	<u>7,705</u>	<u>1,073</u>	<u>-</u>	<u>54,115</u>
<b>Fund Balances:</b>					
Reserved -					
Prepaid expense	19,604	-	1,008	-	20,612
Parks and Recreation	119,944	-	-	-	119,944
Refuse Collection	127,473	-	-	-	127,473
Unreserved -					
Designated - BRG Drains	-	-	-	47,694	47,694
Undesignated -					
General Fund	1,495,813	-	-	-	1,495,813
Special Revenue Funds	-	811,536	1,688	642,031	1,455,255
<b>Total Equity</b>	<u>1,762,834</u>	<u>811,536</u>	<u>2,696</u>	<u>689,725</u>	<u>3,266,791</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 1,808,171</u>	<u>\$ 819,241</u>	<u>\$ 3,769</u>	<u>\$ 689,725</u>	<u>\$ 3,320,906</u>

The accompanying notes are an integral part of these financial statements.

**ST. CLAIR TOWNSHIP**

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
ON THE STATEMENT OF NET ASSETS  
JUNE 30, 2006**

Fund Balances - total governmental funds	\$ 3,266,791
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	791,895
Accumulated depreciation	( 129,906)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Special Assessments	<u>6,934</u>
Net Assets of governmental activities	<u><u>\$ 3,935,714</u></u>

The notes to the financial statements are an integral part of this statement.

# ST. CLAIR TOWNSHIP

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	General	Assessment	Inspections	Revolving Capital Improvement	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 236,595	\$ -	\$ -	\$ -	\$ 236,595
Licenses and permits	23,993	-	108,049	-	132,042
Intergovernmental -					
Federal/State	454,363	-	-	-	454,363
Local	31,356	-	-	-	31,356
Charges for services	18,625	-	-	-	18,625
Interest and rent	67,436	19,753	-	20,700	107,889
Special assessment	313,476	2,318	-	-	315,794
Other	52,934	-	-	-	52,934
Total Revenues	<u>1,198,778</u>	<u>22,071</u>	<u>108,049</u>	<u>20,700</u>	<u>1,349,598</u>
<b>Expenditures:</b>					
Current -					
General Government	495,977	-	-	-	495,977
Public Safety	229,423	-	110,081	-	339,504
Public Works	434,660	-	-	-	434,660
Recreation and Cultural	76,169	-	-	-	76,169
Total Expenditures	<u>1,236,229</u>	<u>-</u>	<u>110,081</u>	<u>-</u>	<u>1,346,310</u>
Excess of revenues over (under) expenditures	<u>( 37,451)</u>	<u>22,071</u>	<u>( 2,032)</u>	<u>20,700</u>	<u>3,288</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	-	-	5,000	5,000
Transfers out	<u>( 5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 5,000)</u>
Total Other Financing Sources (Uses)	<u>( 5,000)</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>( 42,451)</u>	<u>22,071</u>	<u>( 2,032)</u>	<u>25,700</u>	<u>3,288</u>
Fund Balances at beginning of year	<u>1,805,285</u>	<u>789,465</u>	<u>4,728</u>	<u>664,025</u>	<u>3,263,503</u>
Fund Balances at end of year	<u>\$ 1,762,834</u>	<u>\$ 811,536</u>	<u>\$ 2,696</u>	<u>\$ 689,725</u>	<u>\$ 3,266,791</u>

The accompanying notes are an integral part of these financial statements.



**ST. CLAIR TOWNSHIP**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2006**

Net change in fund balances - total governmental funds	\$ 3,288
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	312,410
Depreciation expense	( 21,869)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>( 3,357)</u>
Change in net assets of governmental activities	<u><u>\$ 290,472</u></u>

The notes to the financial statements are an integral part of this statement.

# ST. CLAIR TOWNSHIP

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2006

	Water	Sewer	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 623,224	\$ 309,607	\$ 932,831
Investments	178,641	-	178,641
Accounts and interest receivable	104,457	54,964	159,421
Prepaid Expenses	-	16,188	16,188
Due from other funds	201	-	201
Total Current Assets	<u>906,523</u>	<u>380,759</u>	<u>1,287,282</u>
<b>Restricted Assets:</b>			
Cash and cash equivalents	-	165,072	165,072
Investments	-	250,000	250,000
Special assessments	-	6,934	6,934
	<u>-</u>	<u>422,006</u>	<u>422,006</u>
<b>Property, Plant and Equipment:</b>			
Property, plant and equipment	719,975	1,885,143	2,605,118
Less - accumulated depreciation	<u>( 205,949)</u>	<u>( 929,617)</u>	<u>( 1,135,566)</u>
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>514,026</u>	<u>955,526</u>	<u>1,469,552</u>
<b>Other Assets:</b>			
Sewer capacity rights	-	518,000	518,000
Less: Amortization	-	<u>( 205,272)</u>	<u>( 205,272)</u>
	<u>-</u>	<u>312,728</u>	<u>312,728</u>
Total Assets	<u>1,420,549</u>	<u>2,071,019</u>	<u>3,491,568</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	1,035	1,442	2,477
Due to other governmental units	38,723	8,246	46,969
Due to other funds	-	201	201
Total Current Liabilities	<u>39,758</u>	<u>9,889</u>	<u>49,647</u>
<b>Current Liabilities - (payable from restricted assets):</b>			
Current portion of long-term liabilities	-	40,000	40,000
<b>Long-Term Liabilities (less current portions):</b>			
Notes payable (net of current portion)	-	310,000	310,000
Total Liabilities	<u>39,758</u>	<u>359,889</u>	<u>399,647</u>
<b>NET ASSETS:</b>			
Investment in capital assets, net of related liabilities	514,026	918,254	1,432,280
Reserved for debt retirement	-	422,006	422,006
Unrestricted			
Undesignated	<u>866,765</u>	<u>370,870</u>	<u>1,237,635</u>
Total Net Assets	<u>\$ 1,380,791</u>	<u>\$ 1,711,130</u>	<u>\$ 3,091,921</u>

The accompanying notes are an integral part of these financial statements.

# ST. CLAIR TOWNSHIP

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Water	Sewer	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 373,328	\$ 201,434	\$ 574,762
Other	3,194	10,112	13,306
Total Operating Revenues	<u>376,522</u>	<u>211,546</u>	<u>588,068</u>
<b>Operating Expenses:</b>			
Salaries	23,383	31,250	54,633
Supplies	970	1,672	2,642
Water purchases	316,908	-	316,908
Sewer service cost	-	109,621	109,621
Professional fees	8,362	23,984	32,346
Repairs and maintenance	30,666	46,276	76,942
Utilities	-	9,330	9,330
Gas and oil	1,441	1,966	3,407
Miscellaneous	1,397	126	1,523
Depreciation/Amortization	16,166	48,402	64,568
Total Operating Expenses	<u>399,293</u>	<u>272,627</u>	<u>671,920</u>
Operating Income (Loss)	<u>( 22,771)</u>	<u>( 61,081)</u>	<u>( 83,852)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest income	25,891	15,589	41,480
Tap-In Fees	9,050	-	9,050
Interest expenses	-	( 23,140)	( 23,140)
Total Non-Operating Revenues	<u>34,941</u>	<u>( 7,551)</u>	<u>27,390</u>
Net Income (Loss)	12,170	( 68,632)	( 56,462)
Net Assets at beginning of year	<u>1,368,621</u>	<u>1,779,762</u>	<u>3,148,383</u>
Net Assets end of year	<u>\$ 1,380,791</u>	<u>\$ 1,711,130</u>	<u>\$ 3,091,921</u>

The accompanying notes are an integral part of these financial statements.

**ST. CLAIR TOWNSHIP**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2006**

	Water	Sewer	Total
<b>Cash Flows From Operating Activities:</b>			
Cash receipts from customers	\$ 370,128	\$ 209,613	\$ 579,741
Cash payments to suppliers	( 385,167)	( 193,687)	( 578,854)
Cash payments to employees	( 23,383)	( 31,250)	( 54,633)
Net Cash Provided (Used) by Operating Activities	<u>( 38,422)</u>	<u>( 15,324)</u>	<u>( 53,746)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Tap-in fees	9,050	-	9,050
Payments received on special assessments	-	4,076	4,076
Principal paid on contacts payable	-	( 40,000)	( 40,000)
Interest paid on contacts payable	-	( 23,140)	( 23,140)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>9,050</u>	<u>( 59,064)</u>	<u>( 50,014)</u>
<b>Cash Flows From Investing Activities:</b>			
Purchase of investments	( 6,368)	2,426	( 3,942)
Purchase of fixed assets	( 35,684)	( 25,252)	( 60,936)
Interest earned	25,891	15,589	41,480
Net Cash Provided (Used) by Investing Activities	<u>( 16,161)</u>	<u>( 7,237)</u>	<u>( 23,398)</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	( 45,533)	( 81,625)	( 127,158)
Cash and Cash Equivalents at Beginning of Year	<u>668,757</u>	<u>556,304</u>	<u>1,225,061</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 623,224</u></u>	<u><u>\$ 474,679</u></u>	<u><u>\$ 1,097,903</u></u>
<b>Reconciliation of Net Income (Loss) to:</b>			
Net Cash Provided (Used) by Operating Activities:			
Operating income (loss) for the year	\$( 22,771)	\$( 61,081)	\$( 83,852)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -			
Depreciation	16,166	48,402	64,568
Change in assets and liabilities:			
Receivable	( 6,418)	( 2,929)	( 9,347)
Due from other funds	24	996	1,020
Accounts payable	( 25,423)	( 688)	( 26,111)
Due to other funds	-	( 24)	( 24)
Net Cash Provided (Used) By Operating Activities	<u><u>\$( 38,422)</u></u>	<u><u>\$( 15,324)</u></u>	<u><u>\$( 53,746)</u></u>

The accompanying notes are an integral part of these financial statements.

**ST. CLAIR TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2006**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and cash equivalents	<u>\$          11,533</u>
 <b>LIABILITIES:</b>	
Due to others	<u>\$          11,533</u>

The accompanying notes are an integral part of these financial statements.

## ST. CLAIR TOWNSHIP, MICHIGAN

### NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2006

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### A. Reporting Entity –

St. Clair Township, Michigan, a Municipal Corporation, was organized as a Township in 1823, and operates under the provisions of the constitution and general law of the State of Michigan. The Township is one of twenty-three Townships in St. Clair County and covers an area of approximately 16 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees, and provides services to its more than 6,300 residents in many areas including fire protection, water, sewer, roads, parks and planning and economic development.

These financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. There were no component units at June 30, 2005.

##### B. Government-wide and fund financial statements –

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support..

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## ST. CLAIR TOWNSHIP, MICHIGAN

### NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2006

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

##### C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Also only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

**General Fund** – is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Revolving Capital Improvement Fund** – is used to accumulate resources, mainly transfers from the General Fund and interest earned for capital improvements with in the Township.

**Assessment Fund** – is used to account for the collection of special assessments.

**Inspection Fund** – is used to account for inspection fees and the cost of providing those inspections.

## ST. CLAIR TOWNSHIP, MICHIGAN

### NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2006

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The Township reports the following major proprietary funds:

**Water Supply System Fund** – is used to account for the treatment and distribution of water to residential and commercial users.

**Wastewater Fund** – is used to account for sanitary sewer services provided to the residential and commercial users.

Additionally, the Township reports the following fund types –

**Agency Funds** –are used to account for assets held by the Township as an agent for other government and other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Funds are charges to customers for sale and services. Operating expenses from Enterprise Funds include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources as they are needed.



**ST. CLAIR TOWNSHIP, MICHIGAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**D. Assets, Liabilities and Net Assets or Equity –**

**Deposits and Investments –**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

**Receivables and Payables –**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property the receivables are shown net of an allowance for uncollectible.

**Property Tax Calendar –**

Property taxes levied and collected in December of each year are budgeted and treated as revenue in the current year.

**Capital Assets –**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

# **ST. CLAIR TOWNSHIP, MICHIGAN**

## **NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2006**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings	7-50
Building Improvements	7-50
Land improvements	7-40
Utility systems	10-50
Machinery and equipment	3-20
Vehicles	3-10

#### **Long-Term Obligations –**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Fund Equity –**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Estimates -**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# ST. CLAIR TOWNSHIP, MICHIGAN

## NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2006

### NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

#### Budgets –

The Township Supervisor and the Clerk prepare and submit their proposed operating budgets for the year commencing July 1. The budgets include proposed expenditures and resources to finance them.

Prior to June 30, the proposed budget is presented to the Township. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's General Fund budget was adopted at the function level. However, for control purposes is maintained at the object (account) level. The Township did not adopt budgets for the Special Revenue Funds.

#### Excess of Expenditures over Appropriations –

<u>Fund Type/Function/Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund –			
General Government –			
Building and grounds	\$ 178,650	\$ 369,569	\$ 190,919
Public Works –			
Refuse Collection	225,000	268,712	43,712
Street Lights	19,200	21,556	2,356
Roads	106,000	128,550	22,550
Recreational and Cultural –			
Parks	26,590	76,169	49,579

The Township did not adopt budgets for the Assessment, Inspection and Capital Improvement Funds as required by Michigan Compiled Laws.

### NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2006, the carrying amount of the deposits is as follows:

	<u>Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Deposits –			
Cash on hand –			
Petty Cash	\$ 500	\$ -	\$ 500
Deposits with Financial Institutions –			
Checking/Money Market	2,793,275	11,533	2,804,808
Savings/Certificates of Deposit	<u>1,878,774</u>	<u>-</u>	<u>1,878,774</u>
	<u>\$ 4,672,549</u>	<u>\$ 11,533</u>	<u>\$ 4,684,082</u>

- (1) Certificates of Deposits in the amount of \$1,601,935 have been shown as investments since they have a maturity in excess of 90 days from the date of purchase.

## ST. CLAIR TOWNSHIP, MICHIGAN

### NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2006

#### NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

##### **Deposits –**

*Custodial Credit Risk* – is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

In addition the Township's policy requires that the financial institutions must document a minimum capital requirement of at least \$10,000,000 and at least five years of operations. Other than those areas, the Township does not have a deposit policy for custodial credit risk.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of June 30, 2006, the bank balance of the Township's deposits were \$4,805,824 of which \$702,492 was FDIC insured. In addition, collateral of \$500,000 was obtained for deposits with one financial institution which is held by an independent financial institution. The balance \$4,103,332 is exposed to credit risk because it is uninsured and uncollateralized.

##### **Investments –**

Act 20 PA 1994, as amended by Act 1997 PA 1999, authorizes the Township to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase, are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the surplus funds investment pool act, 1982 PA 3657, 129.111 to 129.188; investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

*Interest rate risk* – is the risk that the market value of securities in the Township's portfolio will fall due to changes in market interest increases. The Township policy attempts to minimize interest rate risk by avoiding the need to sell securities prior to maturity and investing operating funds primarily in short term securities, money markets mutual funds or similar public investment pools.

**ST. CLAIR TOWNSHIP, MICHIGAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):**

*Credit risk* – is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the Township investment policy limits the type of investments the Township can purchase.

*Concentration of credit risk* – is the risk of loss attributed to the magnitude of the Township's investments as a single issuer. The Township's investment policy requires that the Township's investments be diversified by avoiding over-concentration in securities for a specific issuer of business sector, excluding U.S. Treasury securities.

**NOTE 4 – RECEIVABLES:**

Receivables in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts and interest	\$ -	\$ 159,421
Special assessments	7,705	-
Due from other governmental units – State	<u>143,823</u>	<u>-</u>
	<u>\$ 151,528</u>	<u>\$ 159,421</u>

Governmental funds reports deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund	\$ -	\$ 25,390
Special Assessments	<u>7,705</u>	<u>-</u>
	<u>\$ 7,705</u>	<u>\$ 25,390</u>

# ST. CLAIR TOWNSHIP, MICHIGAN

## NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2006

### NOTE 5 – CAPITAL ASSETS:

#### Primary Government –

Capital asset activity of the primary government for the year ended June 30, 2006 was as follows:

	July 1, 2005 Balance	Additions	Deletions	June 30, 2006 Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 54,924	\$ 250,398	\$ -	\$ 305,322
Construction in Progress	-	62,012	-	62,012
	<u>54,924</u>	<u>312,410</u>	<u>-</u>	<u>367,334</u>
Capital assets, being depreciated:				
Land improvements	98,811	-	-	98,811
Buildings and improvements	244,392	-	-	244,392
Equipment	<u>101,116</u>	<u>-</u>	<u>19,758</u>	<u>81,358</u>
Total capital assets being depreciated	444,319	-	19,758	424,561
Less accumulated depreciation	( 127,795)	21,869	( 19,758)	( 129,906)
Total capital assets being depreciated, net	<u>316,524</u>	<u>( 21,869)</u>	<u>-</u>	<u>294,655</u>
Governmental activities capital assets, net	<u>\$ 371,448</u>	<u>\$ 290,541</u>	<u>\$ -</u>	<u>\$ 661,989</u>
<b>Business Type Activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 44,483	\$ 44,944	\$ -	\$ 89,427
Capital assets, being depreciated:				
Main and extensions	2,486,259	-	-	2,486,259
Equipment	<u>29,628</u>	<u>-</u>	<u>196</u>	<u>29,432</u>
Total capital assets being depreciated	2,515,887	-	196	2,515,691
Less accumulated depreciation	( 1,081,358)	( 54,208)	-	( 1,135,566)
Total capital assets being depreciated, net	<u>1,434,529</u>	<u>( 54,208)</u>	<u>196</u>	<u>1,380,125</u>
Business activities capital assets, net	<u>\$ 1,479,012</u>	<u>\$ ( 9,264)</u>	<u>\$ 196</u>	<u>\$ 1,469,552</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General governmental	\$ 20,329
Recreation	<u>1,540</u>
Total Depreciation expense – governmental activities	<u>\$ 21,869</u>
Business-type activities:	
Water	\$ 16,166
Sewer	<u>38,042</u>
Total Depreciation expense – business-type activities	<u>\$ 54,208</u>

# ST. CLAIR TOWNSHIP, MICHIGAN

## NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2006

### NOTE 6 - LONG-TERM DEBT:

#### St. Clair County 1994 Contract Payable –

On May 1, 1993, the St. Clair County Department of Public Works issued \$675,000 of Sewage Disposal System No. V Series 1993 Bonds for the purpose of paying the cost of construction a sewer systems to serve a portion of the Township. Pursuant to provisions of Act 185, Public Acts of Michigan 1957, as amended, St. Clair Township and the County of St. Clair have entered into a contract whereby the Township has agreed to pay the County annual installments ranging from \$40,000 to \$45,000 through May 1, 2014, with interest ranging from 4.75 to 6.0 percent, payable semi-annually.

In order to pay such amount to the County, the Township is obligated, to the extent necessary, to levy ad valorem taxes without limitation as to the rate or amount on all taxable property located in the Township. It is the intention of the Township to pay the obligations to the County from special assessments, connection charges and quarterly charges.

Balance as of July 1, 2005	\$ 390,000
Payment	( 40,000)
Balance as of June 30, 2006	<u>\$ 350,000</u>

#### Annual Requirements to Amortize Debt:

The annual requirements to amortize bonded debt outstanding at June 30, 2006 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 40,000	\$ 20,540	\$ 60,540
2008	40,000	18,300	58,300
2009	45,000	16,020	61,020
2010	45,000	13,410	58,410
2011	45,000	10,755	55,755
2012-2014	<u>135,000</u>	<u>16,200</u>	<u>151,200</u>
	<u>\$ 350,000</u>	<u>\$ 95,225</u>	<u>\$ 445,225</u>

### NOTE 7 - SEWAGE DISPOSAL SYSTEM AGREEMENT:

In 1972 and 1993, the Township entered into agreements with St. Clair County to acquire and construct sewage disposal mains and extensions. The County has constructed the mains and extension and is leasing them to the St. Clair Township, who is operating, maintaining, and managing these lines. Upon final payment of the bond issues described in Note 6, ownership of the mains and extensions will revert to the Township. The cost of the lines and extensions and the aggregate amount necessary for the retirement of outstanding bond principal are recorded in the Utilities (Sewer) Fund.

**ST. CLAIR TOWNSHIP, MICHIGAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 7 - SEWAGE DISPOSAL SYSTEM AGREEMENT – (cont'd):**

St. Clair Township does not operate or own a Sanitary Sewage Disposal Plant; instead, the Township/County has entered into an agreement with the City of St. Clair to accept and dispose of the Township's sanitary sewage. The latest agreement dated June 27, 1988 provides, among other things that the Township should provide and reserve to the Township, sewage treatment services and Township rights in the sanitary wastewater treatment plant of three hundred sixty-five thousand (365,000) average gallons per day and a peak flow of forty-five thousand six hundred (45,600) gallons per hour.

The Township pays on a monthly basis, its proportionate share of the operations, maintenance and replacement costs of the systems.

**NOTE 8 - WATER SUPPLY:**

The Township has entered into an agreement with the City of St. Clair to supply water to the Township. Under the agreement, dated August 22, 2000 the Township agrees to provide the Township up to 500,000 gallons per day. The agreement is for a period of twenty (20) years.

The Township and City have been renegotiating the language of the contract and the method the Township water rate is determined. The amended language has not been formerly approved by either municipality; however, it is possible that the new language and method of calculation will be retroactive to October 1, 2002.

**NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:**

The composition of interfund balances as of June 30, 2006:

**Due to/From Other Funds –**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Assessment Fund	General Fund	\$ 2,761
Water Fund	Sewer Fund	<u>201</u>
		<u>\$ 2,962</u>



**ST. CLAIR TOWNSHIP, MICHIGAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 10 – RESERVED FUND BALANCE/RETAINED EARNINGS:**

**Reserved Fund Balance –**

Fund Balance has been reserved in the general fund to indicate the portion of Fund Balance not available, but reserved for a specific purpose. The following is a summary of the reserved Fund Balance at June 30, 2006:

General Fund -	
Parks and recreation	\$ 119,944
Prepaid expenses	19,604
Refuse Collection	<u>127,473</u>
	267,021
Special Revenue Fund –	
Inspections -	
Prepaid expenses	<u>1,008</u>
	<u>\$ 268,029</u>

**Reserved Retained Earnings –**

Retained Earnings have been reserved in the sewer fund in the amount of \$422,006 to indicate that the money is reserved for debt payments.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# ST. CLAIR TOWNSHIP

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

#### BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 222,775	\$ 236,595	\$ 13,820
Licenses and permits	20,425	23,993	3,568
Intergovernmental -			
State	442,432	454,363	11,931
Local	24,356	31,356	7,000
Charges for services	10,300	18,625	8,325
Interest and rents	17,800	67,436	49,636
Special assessments	240,500	313,476	72,976
Other	610	52,934	52,324
	<u>979,198</u>	<u>1,198,778</u>	<u>219,580</u>
<b>Expenditures:</b>			
General Government -			
Legislative	10,290	7,134	3,156
Supervisor	26,700	25,771	929
Assessor	38,575	37,092	1,483
Clerk	26,125	24,400	1,725
Treasurer	31,170	29,191	1,979
Board of Review	2,005	1,856	149
Cemetery	1,390	184	1,206
Building and grounds	178,650	369,569	( 190,919)
Elections	3,500	780	2,720
	<u>318,405</u>	<u>495,977</u>	<u>( 177,572)</u>
Total General Government			
	<u>318,405</u>	<u>495,977</u>	<u>( 177,572)</u>
Public Safety -			
Fire department	161,600	161,501	99
Zoning	7,550	6,861	689
Planning Commission	89,100	59,095	30,005
Liquor law enforcement	2,515	1,966	549
	<u>260,765</u>	<u>229,423</u>	<u>31,342</u>
Public Works -			
Department of Public Works	18,238	15,842	2,396
Refuse collection	225,000	268,712	( 43,712)
Roads	106,000	128,550	( 22,550)
Street lights	19,200	21,556	( 2,356)
	<u>368,438</u>	<u>434,660</u>	<u>( 66,222)</u>

Continued

**ST. CLAIR TOWNSHIP**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Recreational and Cultural - Parks	\$ 26,590	\$ 76,169	\$( 49,579)
Total Expenditures	974,198	1,236,229	(262,031)
Excess of revenues over (under) expenditures	5,000	( 37,451)	( 42,451)
<b>Other Financing Uses:</b>			
Transfers Out	( 5,000)	( 5,000)	-
Excess of revenues over (under) expenditures and other uses	-	( 42,451)	( 42,451)
Fund Balance at beginning of year	1,805,285	1,805,285	-
Fund Balance at end of year	<u>\$ 1,805,285</u>	<u>\$ 1,762,834</u>	<u>\$( 42,451)</u>

Concluded

## **SUPPLEMENTARY INFORMATION**

# ST. CLAIR TOWNSHIP, MICHIGAN

## SEWER FUNDS COMBINING SCHEDULE OF NET ASSETS JUNE 30, 2006

	Operating Fund	Jordan Creek	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 309,607	\$ -	\$ 309,607
Receivables -			
Accounts	54,964	-	54,964
Deposits	16,188		16,188
	<u>380,759</u>	<u>-</u>	<u>380,759</u>
<b>Restricted Assets:</b>			
Cash and cash equivalents	-	165,072	165,072
Investments	-	250,000	250,000
Special Assessments	-	6,934	6,934
	<u>-</u>	<u>422,006</u>	<u>422,006</u>
<b>Property, Plant and Equipment</b>			
Machinery and Equipment	23,505	-	23,505
Water and Sewer Lines	1,861,638	-	1,861,638
	<u>1,885,143</u>	<u>-</u>	<u>1,885,143</u>
Less - accumulated depreciation	( 929,617)	-	( 929,617)
	<u>955,526</u>	<u>-</u>	<u>955,526</u>
<b>Other Assets:</b>			
Sewer capacity rights	518,000	-	518,000
Less: Amortization	( 205,272)	-	( 205,272)
	<u>312,728</u>	<u>-</u>	<u>312,728</u>
Total Assets	<u>\$ 1,649,013</u>	<u>\$ 422,006</u>	<u>\$ 2,071,019</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 1,442	\$ -	\$ 1,442
Due to other governmental units	8,246	-	8,246
Due to other funds	201	-	201
	<u>9,889</u>	<u>-</u>	<u>9,889</u>
<b>Current Liabilities - (Payable from restricted assets):</b>			
Current portion of long-term liabilities	-	40,000	40,000
<b>Long-Term Debt:</b>			
Contract payable - County of St. Clair	350,000	( 40,000)	310,000
Total Liabilities	<u>359,889</u>	<u>-</u>	<u>359,889</u>
<b>NET ASSETS:</b>			
Investment in capital assets, net of related liabilities	918,254	-	918,254
Unrestricted			
Reserved for Debt Retirement	-	422,006	422,006
Unreserved	370,870	-	370,870
	<u>\$ 1,289,124</u>	<u>\$ 422,006</u>	<u>\$ 1,711,130</u>

**ST. CLAIR TOWNSHIP, MICHIGAN**

**SEWER FUNDS**

**COMBINING SCHEDULE OF REVENUES, EXPENSES**

**AND CHANGES IN NET ASSETS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Operating Fund	Jordan Creek	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 201,434	\$ -	\$ 201,434
Miscellaneous	10,112	-	10,112
	<u>211,546</u>	<u>-</u>	<u>211,546</u>
<b>Operating Expenses:</b>			
Salaries and benefits	31,250	-	31,250
Supplies	1,672	-	1,672
Sewer service cost	109,621	-	109,621
Professional fees	23,984	-	23,984
Repairs and maintenance	46,276	-	46,276
Utilities	9,330	-	9,330
Gas and oil	1,966	-	1,966
Miscellaneous	126	-	126
Depreciation	48,402	-	48,402
	<u>272,627</u>	<u>-</u>	<u>272,627</u>
Operating Income (Loss)	<u>( 61,081)</u>	<u>-</u>	<u>( 61,081)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest income			
Investment	11,286	3,437	14,723
Special Assessments	-	866	866
Interest expense	<u>( 23,140)</u>	<u>-</u>	<u>( 23,140)</u>
	<u>( 11,854)</u>	<u>4,303</u>	<u>( 7,551)</u>
Net Income (Loss) Before Transfers	<u>( 72,935)</u>	<u>4,303</u>	<u>( 68,632)</u>
<b>Transfers In (Out):</b>			
Transfers in	63,140	-	63,140
Transfers out	<u>-</u>	<u>( 63,140)</u>	<u>( 63,140)</u>
	<u>63,140</u>	<u>( 63,140)</u>	<u>-</u>
Net Income (Loss)	<u>( 9,795)</u>	<u>( 58,837)</u>	<u>( 68,632)</u>
Net Assets at beginning of year	<u>1,298,919</u>	<u>480,843</u>	<u>1,779,762</u>
Net Assets at end of year	<u>\$ 1,289,124</u>	<u>\$ 422,006</u>	<u>\$ 1,711,130</u>

# ST. CLAIR TOWNSHIP, MICHIGAN

## SEWER FUNDS

### COMBINING SCHEDULE OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Operating Fund	Jordan Creek	Total
<b>Cash Flow From Operating Activities:</b>			
Cash receipts	\$ 209,613	\$ -	\$ 209,613
Cash payments to suppliers	( 193,687)	-	( 193,687)
Cash payments to employees	( 31,250)	-	( 31,250)
Net Cash Provided by Operating Activities	( 15,324)	-	( 15,324)
<b>Cash Flow From Non-Capital and Related Financing Activities:</b>			
Transfers from/to other funds	63,140	( 63,140)	-
<b>Cash Flow From Capital and Related Financing Activities:</b>			
Payments received on special assessments	-	4,076	4,076
Principal paid on contracts payable	( 40,000)	-	( 40,000)
Interest paid on contracts payable	( 23,140)	-	( 23,140)
Net Cash Provided (Used) by Capital and Related Financing Activities	( 63,140)	4,076	( 59,064)
<b>Cash Flow From Investing Activities:</b>			
Purchase of investments	-	2,426	2,426
Purchase of fixed assets	( 25,252)	-	( 25,252)
Interest earned	11,286	4,303	15,589
Net Cash Provided by Investing Activities	( 13,966)	6,729	( 7,237)
Net increase (decrease) in cash and cash equivalents for the year	( 29,290)	( 52,335)	( 81,625)
Cash and Cash Equivalents at beginning of year	338,897	217,407	556,304
Cash and Cash Equivalents at end of year	\$ 309,607	\$ 165,072	\$ 474,679
<b>Reconciliation of Operating Income to:</b>			
Net Cash Used by Operating Activities:			
Operating income (loss) for the year	\$( 61,081)	\$ -	\$( 61,081)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -			
Depreciation/amortization	48,402	-	48,402
Changes in assets and liabilities -			
Receivables	( 2,929)	-	( 2,929)
Due from other funds	996	-	996
Accounts payable	( 688)	-	( 688)
Due to other funds	( 24)	-	( 24)
Net Cash Provided (Used) by Operating Activities	\$( 15,324)	\$ -	\$( 15,324)



## **FIDUCIARY FUNDS**

**ST. CLAIR TOWNSHIP, MICHIGAN**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006**

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 47,635	\$ 7,297,641	\$ 7,333,743	\$ 11,533
Due to others	47,635	6,773,594	6,809,696	11,533
Due to other funds	-	513,414	513,414	-
Total Liabilities	\$ 47,635	\$ 7,287,008	\$ 7,323,110	\$ 11,533

**CURRENT TAX FUND**

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,889	\$ 6,806,890	\$ 6,808,251	\$ 2,528
<b>LIABILITIES</b>				
Due to others	\$ 3,889	\$ 6,282,843	\$ 6,284,204	\$ 2,528
Due to other funds	-	513,414	513,414	-
	\$ -	\$ 6,796,257	\$ 6,797,618	\$ 2,528

**TRUST AND AGENCY FUND**

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<b>ASSETS</b>				
Cash and cash equivalents	\$ 43,746	\$ 490,751	\$ 525,492	\$ 9,005
<b>LIABILITIES</b>				
Due to others	\$ 43,746	\$ 490,751	\$ 525,492	\$ 9,005

## MANAGEMENT LETTER

To the Members of the Township Board  
St. Clair Township  
St. Clair County, Michigan

In planning and performing our audit of the basic financial statements of St. Clair Township for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**The water and sewer accounts receivable ledger should be periodically reconciled to the detailed subsidiary records.**

During our audit we noted that the water and sewer accounts receivable ledger was not reconciled to the general ledger on a monthly basis. By not performing this reconciliation, transactions or adjustments may be posted to the general ledger, but not the detailed accounts receivable ledger and vice versa. To increase the control over the utility accounts receivable and cash receipts, and increase the accuracy of internally prepared financial information, the detailed accounts receivable ledger should be reconciled to the general ledger on a monthly basis.

**Budgets should be adopted for all governmental funds.**

For fiscal 2006 the Township did not adopt budgets for the three Special Revenue Funds; Assessment, Inspection and Revolving Capital Improvement Funds. Michigan Public Act requires that the Township adopt budgets for all governmental funds.

**All payments to vendors should be approved by the Township Board.**

During our audit we noted that certain payroll benefits paid out of the Township's accounts payable account are not submitted to the Township Board for approval. The State of Michigan Department of Treasury required and we recommend that all invoices be approved by the City Council prior to payment. If certain invoices cannot be held until the next Council meeting without incurring a penalty, then they could be approved after the fact.

This report is intended solely for the information of the Township Board, management, others within the organization, the Michigan Department of Treasury and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



July 25, 2006